

PRESS RELEASE

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HARSHER CRIMINAL PENALTIES PROPOSED FOR SECURITIES FRAUD

TOPEKA, KANSAS (October 28, 2002)-- Securities Commissioner David Brant proposed today that the 2003 Legislature adopt a set of harsher criminal penalties for securities fraud. Attorney General Carla Stovall, Shawnee County District Attorney Robert Hecht, and Johnson County District Attorney Paul Morrison are all supportive of the proposed amendments (see attached). Senator John Vratil (R-Leawood), Chairman of the Senate Judiciary Committee, is also supportive and has agreed to introduce the package of tougher penalties in January.

"Under current Kansas law, a two-bit robber who grabs and steals a purse with \$30 from a woman in a grocery store parking lot is punished more severely than a white-collar crook who defrauds an elderly widow out of \$300,000 of her retirement savings," complained Brant. Currently, the crime of robbery is a level 5 felony as compared to the lesser crime of securities fraud, a level 6 felony.

"It's time that the punishment fit the crime... particularly when financial crimes often have a devastating impact on the victims. We increasingly handle serious cases where older victims have suffered substantial losses," said Brant.

The Commissioner's proposals would increase securities criminal penalties to four severity levels based upon the amount of loss. Under current Kansas law, a defendant who defrauds investors out of \$1 million is treated the same as a defendant who steals \$25,000.

In a current case which is awaiting sentencing, Phillip McGuckin of Wichita was convicted of securities fraud on September 25th in Sherman County. McGuckin operated an oil and gas scheme which defrauded 51 investors out of \$1.2 million. One of McGuckin's victims, an 85 year old Navy veteran, invested \$54,800 with McGuckin to provide investment income for the care of his bed-ridden wife who is suffering from Alzheimer's disease. Under current law, the maximum sentence that McGuckin will receive is 19 months in prison for the securities fraud conviction.

Brant cited another example of the 2001 conviction of Verdell Tassler, a broker from Abilene who was convicted for selling \$1.3 million in bogus investments to his clients including an elderly Herington couple who lost \$295,000. Tassler was sentenced under current law to serve 19 months in jail. Under the proposed amendments, Tassler could have been sentenced to a term of 5 years.

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Brant also proposed two new laws: one to create civil liability for “control persons” who know or should have known of securities violations committed by subordinates; and the other to make it a crime to influence or mislead an appraiser or an auditor in the preparation of financial statements.

The Commissioner observed that, unfortunately, it has been a volatile and historic year for Wall Street, securities regulators, and for Main Street investors due to the financial scandals which have revealed corporate greed, accounting fraud, conflicts of interest, and tainted analyst research. In late July, the President and the Congress agreed on the Sarbanes-Oxley Act of 2002 which enacts sweeping reforms and tougher penalties which hopefully will work to require corporate executives, accountants, and research analysts to be honest with investors.

“While we should all be supportive of this renewed emphasis on regulation -- we must not forget the victims – and the devastating impact that securities fraud can have on a retiree’s savings. Effective enforcement and criminal punishment are the best deterrents for those who would defraud investors. Con artists and white-collar criminals should be held accountable and punished accordingly. It is time to update Kansas laws so that our securities penalties are tougher and more effective,” said Brant.

The Securities Commissioner urges all Kansans to “Investigate Before You Invest.” Call 1-800-232-9580 to check if an investment opportunity is registered and if the broker or investment adviser is licensed.

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PROPOSED 2003 SECURITIES PENALTIES AMENDMENTS
Kansas Securities Commissioner
October 28, 2002

Proposal 1 - Securities Fraud: Amend K.S.A. 17-1253(f) to increase criminal penalties to severity levels 3 through 6 based upon the amount of loss rather than a single severity level 6 felony.

SECURITIES FRAUD	Current Severity Level with Sentencing Range for Defendant with No Prior Convictions		Proposed Severity Level with Sentencing Range for Defendant with No Prior Convictions	
\$1,000,000 or more	Level 6	17-19 months	Level 3	55-61 months
\$100,000 but less than \$1,000,000	Level 6	17-19 months	Level 4	38-43 months
\$25,000 but less than \$100,000	Level 6	17-19 months	Level 5	31-34 months
Less than \$25,000	Level 6	17-19 months	Level 6	17-19 months

Proposal 2 - Unregistered Agents: Amend K.S.A. 17-1254(f) to increase criminal penalties for offering or selling securities without being registered as a broker-dealer, agent, investment adviser or investment adviser representative to severity levels 4 through 7 based upon the amount of loss rather than a single severity level 7 felony.

Proposal 3 - Unregistered Securities: Amend K.S.A. 17-1255(b) to increase the criminal penalties for unlawfully offering or selling securities to severity levels 4 through 7 based upon amount of loss rather than a single severity level 7 felony.

Proposal 4 - Fines: Amend K.S.A. 17-1266a to increase the maximum fine from \$5,000 to \$10,000 in administrative proceedings.

Proposal 5 - Scope of Investigations: Amend K.S.A. 17-1265 to enable securities investigators to investigate other criminal acts if discovered during the course of securities investigation. This type of authority is already granted to law enforcement officers with other state agencies (Revenue, Lottery, and Racing and Gaming).

Proposal 6 - Control Persons: Add new state law to mirror current federal law to create civil liability for "control persons" who know or should have known of securities violations committed by subordinates.

Proposal 7 - Financial Statements and Appraisals: Add new state law to prohibit influencing or misleading persons in the preparation of financial statements or appraisals.

Proposal 8 - False Filings: Amend K.S.A. 17-1264 to increase the criminal penalty for the filing of a false and misleading statement from level 10 to level 8.

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October 23, 2002

Mr. David Brant
Securities Commissioner
618 S. Kansas Avenue
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RE: Proposed Amendment of Kansas
Securities Law

Dear Commissioner Brant:

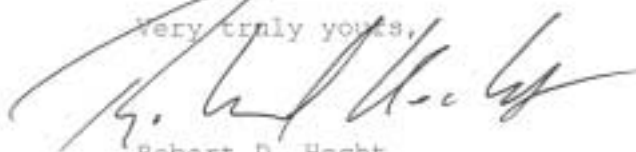
Thank you for the opportunity to review your proposed amendments to the Kansas laws relating to securities fraud and the investigation, prosecution and punishment of persons who cheat and defraud investors.

It has long been apparent that the penalties provided by Kansas law for those who would utilize the securities and investment markets to cheat, defraud, and steal by pen are not sufficient to deter offenders. They are merely viewed as a cost of doing business, particularly when one can defraud hundreds but only be punished for two.

I appreciate your efforts to make the system more logical and realistic and to provide greater justice for victims and more deterrence to those tempted to cheat.

I'm very supportive of your proposals and would hope over the next year or two that a complete review of Kansas statutes as pertain to "white collar" crime could be undertaken so that the people of Kansas are protected from those who seek enrichment by preying on the vulnerable.

Very truly yours,



Robert D. Hecht
District Attorney

RDH/sdg